

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

ACDA-05 SAM-01 NEA-10 EB-07 AID-05 IO-11 STR-04 MC-02

COME-00 NRC-05 ARA-06 AF-06 /121 W

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FM AMEMBASSY MADRID

TO SECSTATE WASHDC 4454

INFO AMEMBASSY ANKARA

AMEMBASSY ATHENS

AMEMBASSY BERN

AMEMBASSY COPENHAGEN

AMEMBASSY THE HAGUE

AMEMBASSY HELSINKI

AMEMBASSY LISBON

AMEMBASSY LUXEMBOURG

AMEMBASSY OSLO

AMEMBASSY STOCKHOLM

AMEMBASSY VIENNA

AMEMBASSY DUBLIN

S E C R E T MADRID 0750

E.O. 11652: GDS

TAGS: PARM, PFOR, MASS, XG, SP

SUBJ: DEPARTMENTAL STUDY OF CONVENTIONAL ARMS SUPPLY RESTRAINTS

SUMMARY: DESPITE SPAIN'S RELATIVELY MINOR POSITION IN THE ARMS
TRADE, THERE ARE SEVERAL REASONS TO BELIEVE THAT THE SPANISH
GOVT MIGHT BE LESS THAN ENTHUSIASTIC ABOUT PROPOSALS FOR FURTHER
CONVENTIONAL ARMS TRANSFER LIMITATION. THESE RELATE PRINCIPALLY
TO SPAIN'S DEPENDENCE ON ARMS IMPORTS, ITS HOPES TO EXPAND ITS
MILITARY INDUSTRIAL BASE, AND ITS RELATIONS WITH ARAB STATES.
HOWEVER, SINCE THIS HAS NOT BEEN AN ISSUE IN MADRID, WE WOULD
NOT WISH TO GO TOO FAR IN PREDICTING SPANISH REACTIONS WITHOUT

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AN OPPORTUNITY TO TAKE SOME SOUNDINGS. END SUMMARY.

1. THE INTERNATIONAL FAME ENJOYED BY SPANISH SMALL ARMS, AND THE OCCASIONAL REPORTS OF SUCH ARMS POPPING UP IN TROUBLE SPOTS, PROBABLY GIVE AN EXAGGERATED IMPRESSION OF SPAIN'S POSITION IN THE ARMS TRADE. STATISTICS ARE HARD TO COME BY SINCE THE ARMS INDUSTRY IS, WITH THE EXCEPTION OF "SPORTING ARMS," KEPT UNDER A TIGHT MILITARY REIN.

2. SINCE WORLD WAR II THE SPANISH ARMS INDUSTRY HAS EVOLVED FROM A POSITION IN WHICH MOST SIGNIFICANT MILITARY EQUIPMENT WAS IMPORTED TO A POSITION TODAY IN WHICH SPAIN IS MOVING TOWARD SELF-SUFFICIENCY IN A CONSIDERABLE RANGE OF ARMAMENTS, WITH HOPES FOR THE FUTURE THAT THE MILITARY INDUSTRIAL BASE WILL BE SIGNIFICANTLY EXPANDED. SINCE THE INTERNAL ARMS MARKET IS NOT LARGE, THESE HOPES FOR THE FUTURE REST TO A CONSIDERABLE EXTENT ON SPAIN'S ABILITY TO EXPORT. MOREOVER, SUCH HOPES REST NOT ONLY ON THE SPANISH MILITARY'S DESIRE FOR ACCESS TO THE LATEST TECHNOLOGY BUT MORE BROADLY ON SPANISH GOVT AND INDUSTRIAL CONCERNS REGARDING A SHARPLY UNFAVORABLE BALANCE OF TRADE.

3. A NUMBER OF CONVENTIONAL ARMAMENTS THAT ARE NOW BEING PRODUCED IN SPAIN, SOME UNDER LICENSE, CLEARLY HAVE EXPORT POTENTIAL. SMALL ARMS AND EXPLOSIVES, INCLUDING BUT NOT LIMITED TO SPORTING ARMS, ENJOY A LONG TRADITION. SPAIN IS NOW ALSO MANUFACTURING UNDER LICENSE FROM THE FRENCH BOTH THE AMX-30 TANK AND THE DAPHNE CLASS SUBMARINE. WHILE NO SALES OF EITHER HAVE APPARENTLY YET BEEN MADE TO THIRD COUNTRIES, THE SPANISH HAVE BEEN NEGOTIATING FOR SUBMARINE SALES TO LIBYA. THE SPANISH MANUFACTURE OTHER SMALL MILITARY VESSELS WITH SALES POTENTIAL. IN THE AIRCRAFT FIELD, THE SPANISH MANUFACTURE THE F-5 AND THE HA-220 SUPER SEATA, AND HAVE RECENTLY ENTERED THE STOL MARKET WITH THE C-212 AVIOCAR, WHICH THEY CERTAINLY WILL BE ATTEMPTIN TO SEEL OVERSEAS. THESE ARE ONLY EXAMPLES OF WHAT IS A GROWING ARMS INDUSTRY.

4. THIS ARMS INDUSTRY IS IN FACT CLOSELY UNDER MILITARY CONTROL ALTHOUGH ITS INDUSTRIAL MANAGMENT FLOWS FROM THE SPANISH GOVT HOLDING COMPANY, THE INSTITUTO NACIONAL DE INDISTRIA (INI). UNDER INI, EACH OF THE THREE SERVICES HAS A SEPARATE INDUSTRIAL COMPLEX PRODUCING FOR IT. AN ADDITIONAL CORPORATION, DEFEX,
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PROMOTES THE EXPORT OF MILITARY PRODUCTS FOR ALL THREE SERVICES. OUR UNDERSTANDING IS THAT THIS MILITARY INDUSTIAL STRUCTURE HAS NOT PROVED PARTICULARLY PROFITABLE TO DATE. THE SPANISH HOPE THROUGH JOINT PRODUCTION SCHEMES AND THE LIKE TO DO MORE AND TO DO IT BETTER IN THE YEARS TO COME.

5. AS OF JANUARY 1975, DIA SUMMARIES SHOWED THAT SPAIN'S FOREIGN MILITARY DELIVERIES FROM 1954 TO 1974 HAD TOTALED ONLY

\$123.7 MILLION, WITH THE BULK OF THIS GOING TO PORTUGAL, LATIN AMERICA, AND THE MIDDLE EAST (LARGELY SAUDI ARABIA AND IRAQ). THERE ARE FEW FIGURES ON SPANISH MILITARY EXPORTS TO BE FOUND IN NORMAL GOVT OR COMMERCIAL PUBLICATIONS. REPORTS BY THE THREE MAJOR INI SUBSIDIARIES PRODUCING MILITARY EQUIPMENT SHOW THEIR TOTAL EXPORTS (MILITARY AND NONMILITARY) FOR 1973 TO HAVE BEEN 4,047.4 MILLION PESETAS (ROUGHLY \$68 MILLION).

6. THE SUBSTANTIAL SPANISH IMPORTS OF MILITARY EQUIPMENT CONTINUE TO COME LARGELY FROM THE U.S. (FINANCED TO AN IMPORTANT DEGREE UNDER THE ARRANGEMENTS RELATED TO OUR USE OF MILITARY FACILITIES HERE). SPAIN'S OTHER MAJOR SUPPLIERS ARE ALL NATO COUNTRIES, WITH FRANCE IN THE LEADING POSITION AMONG THEM. EXISTING US RESTRAINTS ON ARMS EXPORTS ARE ALREADY A SOURCE OF SOME IRRITATION FOR THE SPANISH MILITARY. FURTHER RESTRICTIONS COULD COMPLICATE OUR DEFENSE ARRANGEMENTS WITH THE SPANISH.

7. ALL THIS HAVING BEEN SAID, IT REMAINS DIFFICULT TO ESTIMATE SPECIFICALLY WHAT THE POLITICAL REACTION HERE TO POTENTIAL US INITIATIVES IN THIS FIELD WOULD BE. SINCE THIS HAS NOT BEEN AN IMPORTANT PUBLIC ISSUE, THE LINES HAVE NOT BEEN DRAWN. ARMS CONTROL DOES RECEIVE LIP SERVICE FROM THE SPANISH GOVT, ALTHOUGH SPAIN, BECAUSE OF ITS PARTICULAR TIES TO THE MIDDLE EAST, NORTH AFRICA AND LATIN AMERICA, TAKES POSITIONS WHICH ARE LESS THAN FULLY SUPPORTIVE. SPAIN HAS STILL NOT ADHERED TO THE NPT, FOR EXAMPLE. THE POST-FRANCO SPANISH GOVT, IN OFFICE ONLY BRIEFLY, MIGHT BE INCLINED TO BE MORE RESPONSIVE TO INITIATIVES FAVORING NEW ARMS CONTROL MEASURE IF THESE WERE PRESENTED IN A WAY CLEARLY INVOLVING SPAIN AS AN EQUAL PARTNER IN CONSULTATIONS UNDERTAKEN WITHIN THE ATLANTIC COMMUNITY. FOR TO THE EXTENT THAT SPAIN IS AN OBJECT OF THE RESULTS OF SUCH CONSULTATIONS RATHER THAN A PARTICIPANT IN THEM, IT WILL CONTINUE TO BE INCLINED TO ATTEMPT TO DERIVE WHAT LEVERAGE IT CAN FROM ITS RESPONSES.

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